# A systems approach to understanding the perspectives in the changing landscape of responsible business in Scotland

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A B S T R A C T

The purpose of this paper is to present an application of Community OR (COR), using Soft Systems Methodology (SSM), to help a fund manager to understand how to unlock and release more resources into communities. The problem area under investigation is a perceived lack of connectivity and alignment between and within public, for-profit, and the third sectors in Scotland. We argue that as the for-profit sector controls the majority of resources in most economies, they need to be part of any solution. However, we propose an approach that offers an alternative to the neoliberal business paradigm that has become prevalent in society and suggest that this must involve the inclusion of people and communities, in part represented by third sector organisations. We collected and analysed data from 145 participants and the outcome from this research was the *'Connect model'*, which was proposed to achieve the client's goal and to address a range of stakeholder challenges. In the SSM study, the 'investing in social capital' system was deemed a necessary early intervention, to bring together actors in an 'open system' that addresses the 'whole problem' area (launched as the *'Responsible Business Forum'*). Three additional concepts emerged from the study that helped refine the *'Connect model'* and have implications for theory and practice: *1) the co-creation of business-community value, 2) facilitated by a conduit, 3) that unlocks a 'shared space' based on a match of shared aspirations and values.*

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*"O wad some Power the giftie gie us, To see oursels as ithers see us!"*

Robert Burns - *To a Louse* (1786)

## 1. Introduction

This paper describes an application of Soft Systems Methodology (SSM) within the context of Community Operational Research (COR), to understand multiple perspectives and to incorporate learning so that the client could build *products*, *processes* and *relationships*, to bring about real transformation in their community. Utilising a systems approach, we propose the *'Connect model'* and its five sub-systems to help the *Voluntary Action Fund (VAF)*, a Scottish fund manager (who manages funds on behalf of others), to unlock and release more resources into communities from the for-profit sector.

It has long been argued that traditional OR methods are not appropriate for the type of problems that are typical in COR

(Jackson, 1988; Jackson & Keys, 1984; Rosenhead, 1989). Traditional OR methods are best suited to well-defined problems, when systems can be assumed to have an objective reality. An advantage of SSM is that it can be applied to messy or poorly defined problems, where stakeholders interpret problems differently and there are multiple perspectives (Johnson & Smilowitz, 2007). This paper's contribution was inspired by the call from Midgley and Ochoa-Arias (1999, 2004) for COR practitioners to help local government bodies plan decentralisation, improve resource allocation to local communities, and enhance their evaluation services. The authors of this paper seek to build on an emerging body of knowledge that uses systems-based approaches to address community issues and challenges (Johnson, 2012; Midgley & Ochoa-Arias, 2004). COR calls for contributions grounded in a commitment to improve society (Parry & Mingers, 1991) and support for changes in the community (Midgley & Ochoa-Arias, 2004) by resolving social problems. Lane (2010) suggests that OR as a discipline has considerable advantages when dealing with strategic issues and grand challenges, and when high-leverage interventions are required. These would include systemic changes that can help shape evolving relationships between business and society, particularly in light of economic and political uncertainty (e.g., the UK vote to leave

the European Union and its implications). In addition, Midgley and Reynolds (2004a) recognise that OR often has a systems orientation, is interdisciplinary and explicitly purposeful when proposing an agenda for systems/OR and sustainable development.

The changing landscape of responsible business in Scotland is set out in the second section of this paper along with a description of the client organisation, its goal and intended direction. Next, the contribution of this paper is located in the COR literature (Section 3), followed by our application of SSM to address the problem area outlined (Sections 4 and 5). The final section, before our conclusion, presents the *'Connect model'* (Section 5), refined on the basis of learning from three cycles of SSM, through multiple workshops with stakeholders and constant dialogue with critical friends. The conclusion then suggests avenues for further study, the implications of the *'Responsible Business Forum'*[1] (see Section 4.5 for full details) for policy in Scotland, and the value of the work in addressing a complicated and inefficient resource allocation system lacking both alignment and connectivity between the relevant stakeholders.

Although our study focuses on a third sector organisation, in this case a Scottish fund manager, the findings are relevant to any third sector organisation and for-profits that have a shared interest in working together to build value to help communities overcome the challenges they face. We also highlight the need for a conduit to help facilitate these relationships, and although we envisage a role for the government, our findings suggest that the system should not be owned by any one stakeholder, but be truly community-based with the involvement of a wide range of participants.

Our study had three main aims. Firstly, to enable the client to understand the changing nature of responsible business in Scotland, and the opportunities for action therein. Secondly, to help the client to develop commercial products, processes and relationships which led to business growth for the Voluntary Action Fund (VAF) and more resources being distributed to communities in Scotland. Finally, to embed the knowledge from the study, to reinforce VAF's existing investment in social capital approaches, and to enable VAF to be a co-creator of solutions to societal challenges.

The research process formed the basis of a two-year Knowledge Transfer Partnership (KTP). In the UK, KTPs are funded partnerships between businesses and academics that enable research to be translated into benefits for industry and communities. We will refer to the 'project team' consisting of four *analysts* (three researchers and the Associate [note that the Associate is employed by the University but fully embedded in the client organisation]) and the business development manager. The project team, through a dialectic learning process between the *client* (VAF's CEO and Chairman) and workshops with *VAF staff and trustees* (cycle 1); *third sector organisations* (cycle 2) and *Government, their business development agencies and public sector bodies* (cycle 3) and critical friends in each cycle, were able to propose and refine the *'Connect model'* and its five sub-systems. A number of lessons learnt are captured in three emerging concepts to further research and practice: *1) the fostering of 'open spaces' to invest in social capital; 2) helping businesses and communities to co-create value; and 3) the need for a conduit to unlock and facilitate a 'shared space' to create the environment for co-creation, bringing together relevant stakeholders who share aspirations and goals.*

## 2. Changing landscape of responsible business in Scotland

Recently, the business landscape has been characterised by calls to reconnect business and societal goals, and go beyond merely referring to corporate social responsibility (CSR) reports as a firm's only moral obligation (Bansal & DesJardine, 2014; Porter & Kramer, 2011; Scagnelli & Cisi, 2014). This includes a need for business to rearticulate its place in society and develop long-term sustainable business models (Lacy, Haines, & Hayward, 2012) that address societal priorities. Systems-based approaches in the context of community development help us to contribute in this area by seeking to understand the relationships between stakeholders and their perspectives in the changing landscape of responsible business in Scotland. This has value to the private sector (we focus on 'for-profit businesses') to help them respond to societal expectations and pressures from interested stakeholders, such as responsible investors, local and national governments.

A recent survey of businesses in Scotland suggests that only 29 percent state that the sole responsibility of a company is to maximise profits (Social Value Lab, 2015). Over 85 percent have reported community, social and environmental issues as either 'very' or 'fairly' important, and most Scottish companies perceive themselves as delivering on these responsibilities (Social Value Lab, 2015). A large majority of business leaders surveyed (89 percent) agreed that responsible behaviour drives business success. To cultivate responsible business behaviour, the Scottish Government launched, in May 2015, the Scottish Business Pledge (Scottish Government, 2015a). This initiative may turn out to be significant, with goals of boosting productivity, competitiveness, employment, fair work and inclusive growth (Scottish Government, 2015b). More than 350 companies have demonstrated a commitment to delivering these goals through their actions and future plans (Scottish Government, 2017). More recently, Business in the Community Scotland (2017) launched its Scottish National Action Plan for Responsible Business (SNAP-RB). This was created by business with government, as a platform to deliver the best business for a better Scotland, incorporating the same goals as the Scottish Business Pledge.

The authors recognise that the vast majority of resources are in the hands of the private 'for-profit' sector when compared to the Government and the third sector. This presents an opportunity for the third sector to try to capture some of these resources to help address challenges that communities across Scotland face. According to statistics from the Scottish Council for Voluntary Organisations (SCVO, 2014), the private sector only contributes £73 million (1.5 percent) of the third sector's total funding of £4.9 billion (34 percent of the funding comes from the public sector, which in Scotland includes the local, devolved and national governments). Although this seems small considering that the majority of resources are held by businesses, we believe that this is an evolving landscape. For example, if we consider donations from FTSE 100 companies, the median donation has trebled from £1 million in 2007 to £3 million in 2012 (CAF Bank, 2014). UK corporate giving varies across size and sector, but the CSR market is estimated to be valued at some £2.5 billion (the total value of management, time, in-kind and cash donations), although there is limited information on the details concerning how much of these resources are committed to community investment by the firms (CAF Bank, 2014).

The client in this SSM study, VAF, is a long established Scottish fund manager with the goal, in this project, of bringing more resources into communities. These resources include *people* (i.e., skills and time), *assets* such as property and equipment, as well as *money*. VAF brings funded organisations together to learn and develop, as well as holding relationships with the Scottish Government (in an advisory and contractual capacity) and with grass-roots organisations to understand key issues affecting

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[1] The Responsible Business Forum was an event, organised by the Responsible Business Forum Steering Group, to forge connections between and within sectors, to promote responsible business practice and its impact on communities, supported by the Scottish Government Business Pledge and steering group member organisations who support the implementation of community CSR/Sustainability responses.

communities. The changing responsible business landscape in Scotland provides opportunities (in terms of growth and diversification of sources of income) for VAF. However, there are also threats in the wake of what has been termed the 'great recession' (Eichengreen, 2014; Hetzel, 2012) and greater international and institutional uncertainty. In addition, the increasing demands on public spending (e.g. funds from central, devolved and local Government; funds from the EU), and public spending cuts, pose serious challenges. This situation is further exacerbated by investment uncertainties around Brexit (the colloquial term for the British exit from the European Union) and possibility of another Scottish referendum on independence. VAF recognises its need to diversify its income and sees the growing importance placed on responsible business practice in the for-profit sector as an opportunity to access more resources.

## 3. COR and releasing business resources into the community

Whilst it is beyond the scope of this paper to have a full and wide-ranging discussion concerning the exact nature of COR, it is important that we demonstrate how our problem fits within this landscape. The development of COR in the UK can be traced back to the 1970s, but the acceptance of COR as a distinct sub-discipline dates from the late 1980s with the establishment of the COR unit at Northern College, the Community OR Network and the Centre for COR at the University of Hull (Midgley & Ochoa-Arias, 1999). Johnson and Smilowitz (2007), albeit from a US perspective, offer a view of COR as a public sector (which includes the not-for-profit sector) issue that involves investigating matters affecting disadvantaged stakeholders in communities. Others have focused on the meaning of 'community' and how this affects COR (Midgley & Ochoa-Arias, 1999). What is clear is that COR should be an imperative for the public sector to help alleviate the many challenges that communities in the UK face. More recently, the *meaningful engagement* of communities has been identified as the defining feature of COR, regardless of whether the group or organisation initiating a project is the community itself or a voluntary, public or private sector organisation (Midgley, Johnson, & Chichirau, 2018). The problem under investigation in this study involves developing a new capability that connects and aligns responsible business practices and real emerging challenges in Scotland. We are interested in improving the outcomes for disadvantaged stakeholders in the community. In essence, we are trying to deal with how best to allocate the resources that for-profit businesses wish to invest in communities and to develop a system to evaluate the effectiveness of such giving.

We would position our view of community broadly within the tradition of communitarianism, and we approach the problem from the view that we need community involvement from many stakeholders, as well as support from large scale for-profit firms and SMEs. Whilst accepting that many people would classify the United Kingdom as operating primarily within the liberal/capitalist political tradition (Midgley & Ochoa-Arias 1999), we argue that Scotland has long had a more communitarianism tradition. Although this view is refuted by some, often based on social attitude surveys (see Cowley, 2014, for a full debate on this issue), there are others who point to the presence of a Scottish Parliament that is willing to implement policies like free university tuition, prescriptions and public transport for the elderly. McCrone (2001), Paterson (2002), Stewart (2004) and Graham (2015) all see these kinds of policies as evidence of a more communitarian approach. Our own research attempts to incorporate the views of a wide range of stakeholders (the Scottish Government, Local Government, business, other fund managers, funding bodies, universities and individuals) to seek solutions to problems that affect communities.

Johnson and Smilowitz (2007) suggest that COR differs from other forms of public sector OR in that the focus tends to be more on human stakeholders rather than on physical resources, as human stakeholders can be disadvantaged and struggle to influence public policy. As the problem has specific local characteristics, the Scottish context will be the locus of this paper.

The problem under consideration in this study was located in what Jackson (1988) defines as a systemic-pluralist context. The context was systemic, as it was complex and not easily quantifiable; and it was pluralist, as there was no agreement at the start concerning what the objectives of the study were. For this reason, we followed Soft Systems Methodology (SSM), which Jackson (1988) argues is particularly useful in the face of complexity and stakeholder disagreement. We analysed the problem situation, constructed rich pictures to depict it, and continued through the other stages of SSM (as outlined by Checkland, 1981, 1999).

SSM is an example of what Rosenhead (1989) calls "problem structuring methods". This is a term he uses to describe exploratory OR methods that are particularly suited to dealing with complex, messy situations (Foote et al., 2007), and they can be contrasted with the more traditional OR "problem solving" methods.

Given that the majority of the resources in any economy are controlled by the for-profit sector, it would make sense to try to ensure that the resources dedicated by these organisations to responsible business activities are allocated appropriately. The challenge is to provide a mechanism for matching the resources that the for-profit sector allocates for these activities with the real challenges of the local community.

Using SSM, we attempted to define the problem (also see Eden, Jones, & Sims, 1983, on problem definition). Since this research is in a Scottish context (more particularly the relationship between the Scottish Government, business and the third sector), and linked to the lived-in social reality in Scotland, the boundary of the research is wide, so it includes many stakeholders. We entered a process of defining and redefining the problem based on the perspectives of multiple stakeholders (bounding the problem is a key consideration in both COR and SSM) (Midgley, 2000; Ulrich, 1987). Nevertheless, the driving force for this study was the authors' belief that there remains a sense of community in Scotland that, if channelled correctly and appropriately resourced, would enable the people themselves to address the issues they face. This view is grounded in Midgley and Ochoa-Arias's (1999) description of communitarian COR, which incorporates the view that community groups are usually closer than government and devolved government officers to local people; hence they can better understand the challenges on the ground that need to be addressed. In this paper, the authors argue that this viewpoint also applies to cultivating, supporting and evaluating responsible business practices that focus on investing in communities.

## 4. Using SSM to form different perspectives and take action

SSM provides a useful platform for learning, with an intention to allow initially tentative thinking to inform practice, which then becomes the source of enriched ideas (Checkland, 1999). These ideas inform desirable and feasible change, through deliberation on the problematic situation, options for transformation, and possible actions to improve the situation (Checkland, 1999). This is important in the context of COR models and their application, as they require substantial stakeholder participation in problem definition, solution and implementation (Bajgier, Maragah, Saccucci, Verzilli, & Prybutok, 1991; Taket & White, 1994; Johnson & Smilowitz, 2007). In this study, we recognised that the problem could not be addressed by the client alone, and we acknowledged Olsson and Sjöstedt's (2004) suggestion that SSM is a powerful

**Table 1**
Methodological overview of the study.

| SSM stage (Checkland & Scholes, 1990) | Cycle 1 VAF trustees and staff | Cycle 2 third sector organisations incl. other fund managers | Cycle 3 government and agencies; public sector | Cycle 4 Scottish businesses |
|---|---|---|---|---|
| Stage 1: Finding out about a problem situation | Initial discussion around VAF's situational report and general understanding of responsible business practice; 5 workshops with VAF people identified (staff and trustees); 6 themes/problem situations, all considered relevant; Questions agreed to debate more widely (Table 3) | Further discussions with VAF people and articulation of the challenges facing the third sector from VAF's perspective; Expand literature review reflecting new learning; 6 workshops with third sector organisations and other fund managers identified 24 issues grouped into 5 themes (Table 8). | Further scoping of study requirements with potential Responsible Business Forum partners and participants; Further discussions with key stakeholders to define the Responsible Business Forum, its programme, role and membership based on earlier findings; 6 workshops with Government and agencies, and public sector | Four interviews with pioneering signatories of the Pledge |
| Stage 2: Formulating some relevant purposeful activity models | The *'Connect model'*: a general emblematic model (Fig. 1) applicable to all 6 themes/problem situations and classified in terms of the 5 relevant systems (Table 4); *'Connect model'* root definition formed (Table 5) and model detailed (Fig. 2); Responsible Business Forum root definition formed (Table 6) | 12 relevant systems identified (Table 9) | 8 relevant systems identified (Table 10) | |
| | | RS2.1, RS2.3, RS2.10-11, RS3.1-5 and 3.8 formed to refine the Responsible Business Forum model; Root definitions formed for RS2.7 – 2.9, R2.3 – RS2.6; relevant to understanding VAF's offer; VAF's 'W' discussed with critical friends (other fund managers); *'Connect model'* root definition and CATWOE is refined (Table 11) and model formed (Fig. 3); Classification of the newly identified relevant systems in terms of the *'Connect model'*; Classification debated with critical friends | | Outside the scope of this paper, phase two of study |
| Stage 3: Debating the situation, using the models | Comparison tables drawn up for *'Investing in Social Capital'*, debated and most significant changes defined (Table 7) | *Re-visited cycle 1*, debate and changes made in light of new learning (see Section 4.8). Changes deemed commercially sensitive (excluded in this paper), learning led to three emerging concepts (see Section 5) | | |
| Stage 4: Taking action in the situation to bring about improvement | Responsible Business Forum launched in Feb 2016 (see Section 4.5); *Move to cycle 2* | *Move to cycle 4 – Scottish for-profit businesses* to understand a business perspective on the problem situation; Learning used to refine the *'Connect'* and Responsible Business Forum models further as well as others deemed relevant by VAF | | |

tool to invest in social capital – particularly in making the problem area transparent for those who are addressing it.

The next section provides a general overview of the study and discusses some methodological considerations that we had to account for when using SSM in the context of our project.

### 4.1. General methodological overview of the study

In this paper, three cycles of SSM form the methodological history of this study (shown in Table 1), following Checkland and Scholes's (1990) four stage SSM process. These cycles involved expressing the concerns of: 1) the *client* organisation; 2) *Third Sector Organisations*, including other fund managers; 3) *Government, their business development agencies* and the *public sector*. Further work was suggested to understand the perspectives of *Scottish for-profits* (cycle 4), so that comparisons could be made and learning incorporated into VAF's offer, and to build relationships with potential business beneficiaries of VAF's offer to business.

Checkland (1999) suggests that the process of SSM enables the continuous honing and refining of the whole (the *'Connect model'*) and parts (we present one part of this model, the *Responsible Business Forum* in this paper). These models form the main focus of this paper, refined through a process of iteration between cycles to incorporate the issues/concerns raised by workshop participants and in dialogue with critical friends in cycle 2 and 3. 145 participants have taken part in this study to date[2]: 103 in 17 workshops (cycles 1–3), 26 in a survey of VAF-funded organisations (cycle 2), regular dialogue with 2 client representatives[3] and we engaged with 14 critical friends. The number of participants involved in the

study are broken down into categories, to broaden the range of perspectives obtained (shown in Table 2).

The methodological considerations for stages 1 and 2 of SSM are considered next in this section due to the nature of iteration between the cycles to refine the models first formulated in cycle 1. This is followed by a more detailed description of the methodological history and learning as the study unfolded.

#### 4.1.1. Methodological considerations for stage 1 of SSM (finding out)

Rich Picture's help to build a pictorial representation of the workshop participants' current understanding of the problem situation (Lewis, 1992), taking account of the richness and complexity of the real world (Barrett & Barrett, 2003). Bell, Berg, and Morse (2016) describe a number of functions of rich pictures that can be considered in light of this study: the groups were able to gather themes; gain a sense of ownership and consent; take understanding forward; make judgements/decisions within the group and context arising from the different views expressed. To remain impartial, the facilitators drew up and agreed a set of protocols following good practice described in the literature for facilitating the workshop (e.g. Berg, 2014; Berg & Pooley, 2013; Sutrisna & Barrett, 2007) and conducting their subsequent analysis (e.g. Bell et al., 2016; Lewis, 1992). For instance, the facilitators invited a spokesperson to describe the rich picture, highlighting views that were shared and contested. Only this part of the rich picture workshop was recorded and analysed to ensure free-flowing thought, not to impede the forming of relationships and any conditioned responses.

#### 4.1.2. Methodological considerations for stage 2 of SSM (formulating models)

The CATWOE mnemonic as detailed in Checkland and Scholes (1990) provided a useful checklist and set of questions to

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[2] The total number of participants is arrived at by calculating the following participants only once: the client; and three of the critical friends from the Scottish Government and Scottish Enterprise, as they were consulted more than once.

[3] The CEO and chair of VAF represented the 'client', who were consulted throughout the project in each of the cycles/stages. For purposes of clarity, in a KTP, the Associate is embedded in the client organisation and supervised by the business

development manager (as well as the lead academic), both are not included as participants.

**Table 2**
Workshops held for each cycle to express the problem situation from a multitude of perspectives.

| Cycle | Category | No. of rich picture workshops | Cycle / No. of participants | | | |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| 1 | VAF trustees | 2 | 10 | | | |
| | VAF managers | 1 | 6 | | | |
| | VAF staff | 2 | 11 | | | |
| 2 | Third sector VAF funded organisations | 2 | | 12 | | |
| | Third sector non-funded organisations | 3 | | 19 | | |
| | Other fund managers and umbrella bodies | 1 | | 5 | | |
| 3 | Local Government officers | 2 | | | 17 | *Outside the scope of this paper* |
| | Scottish Government and their agencies | 2 | | | 10 | |
| | Public sector bodies | 2 | | | 13 | |
| | Total number of workshops/participants | **17** | **27** | **36** | **40** | |
| | Regular dialogue with the client | | 2 | 2 | 2 | |
| | Survey responses from VAF funded organisations | | | 26 | | |
| | Regular dialogue/interviews with critical friends | | 3 | 7 | 3 | 4 |
| | Total number of participants | | | **145** | | |

help form each root definition of the system being modelled. This includes questioning the *Customers*, *Actors*, *Transformation process*, *Weltanschauung* or 'world-view', *Owners* and any *Environmental constraints*. Essentially, Avison, Golder, and Shah (1992) suggest these six characteristics capture who is doing what for whom, and to whom are they answerable, what assumptions are being made, and in what environment is this happening?

Midgley and Reynolds (2004b) replaces the *'C'* with *'B'* for *Beneficiaries*, and adds *'V'* for *Victims* to form BATWOVE. A discussion within the project team around language and terminology was useful, particularly when the study sought to identify multiple perspectives. *Beneficiaries* was seen as a helpful term, but explicit in the *'C'*. However, the term *'victim'* was seen by the client to reinforce a deficit model, a *"them and us"* attitude between business and society, reinforcing the myth, disputed by Porter and Kramer (2011), that business is part of the problem. Using this term in the application of COR may lead to a view that 'people' in communities with a particular social issue are *'victims'*, but assets in the community and positive relationships between people and third sector organisations already exist. In addition to this, we must keep in mind that 'concerned citizens' transcend a multitude of boundaries; in work and life, they bring different perspectives that may be in conflict (Córdoba & Midgley, 2006). Therefore, cycle 2 was seen by VAF to be an important opportunity to learn about the problem situation and to refine their approach prior to engaging with for-profits and ultimately when taking action. In this study, considerable time was spent debating the client's 'worldview' (the *'W'*) and that of other stakeholders, and incorporating learning into a revised CATWOE. The term *'owner'* was also deeply debated. We used its traditional meaning in SSM (the person or people who can stop a system from working) to stimulate debate. In response to this, the word *'governance'* kept re-emerging in discussions, to emphasise that one organisation or sector cannot *'own'* the grand challenges that we face. There are many actors all holding different sources of power and ultimately representing a constituent of 'people' (e.g. a customer base, a geographical area, a particular social cause).

The CATWOEs and associated root definitions were presented in a dialectical process with the client and critical friends. Churchman (1979) argued that we should seek out the strongest possible "enemies" of our ideas and enter into a rational argument with them. The term "enemies" was not viewed as helpful in this study, given that it was about promoting co-operation, but the project team wanted to listen closely to the views of other fund managers and senior officers in the Scottish Government and Scottish Enterprise. Each of these key stakeholders was in a position to

challenge VAF and to see if the arguments were defensible under scrutiny. This included two critical friends who were consulted throughout the project, both with oversight for the Scottish Business Pledge in the Scottish Government and Scottish Enterprise. In addition to this, in cycle 1, attention was paid to VAF's strategic partnership with Assist Social Capital, which informs VAF's approach to programme management. In cycle 2, four representatives from member organisations of the 'Scotland Funders Forum'[4] participated, as well as a senior policy officer from the Scottish Government's third sector policy unit with oversight of VAF's fund-managed activities (for cycles 2 and 3). Finally, in cycle 4, four pioneering businesses that had signed up to the Scottish Business Pledge were included to help VAF 'find out' more about the problem situation and environment in which it sought to operate.

### 4.2. 'Finding out' *from VAF's perspective and building support*

The initial 'finding out' stage in cycle 1 could be attributed, in part, to the forming of the relationship between the members of the project team, and the application for KTP funding from Innovate UK (a partnership between the University and the client). This involved several meetings between the lead academic and VAF's CEO, chair and business development manager, as well as the KTP advisor responsible for the grant application. Initial conversations centred on understanding the problem situation from VAF's perspective. The term 'problem situation' was also reluctantly used by VAF representatives, as they commented that this language can imply a 'deficit' worldview, using the same rationale mentioned in the context of 'victims'. At the root of each conversation was a perceived *lack of connectivity and alignment between and within sectors to address the challenges being faced by communities, represented in part by third sector organisations.*

The formal *'finding out'* stage included reviewing VAF's Strategic Plan 2014–2018 and its latest Business Development Strategy (2013, unpublished); understanding VAF's positioning within the business and political landscape; and undertaking a literature review to gain a better understanding of trends in CSR/sustainability. The principal tool used to gather information was a SWOT analysis presented as part of a situational analysis and report presented to VAF's business development committee with wider dissemination within the organisation. There was an initial debate on the emergence of the Scottish Business Pledge at the outset of the project

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[4] The *Scotland Funders Forum* of which VAF is a member, is committed to sharing best practice and maximising the impact of funding for the benefit of Scotland. https://scotlandfundersforum.org.uk (Accessed: 28/07/2016).

**Table 3**
Key themes from problem situations expressed by VAF people and expressed as questions for debate.

|  | Themes from the problem situation as expressed by VAF people | Questions for further debate within VAF |
|---|---|---|
| PS1.1 | Government sets national and local priorities and both Government and business hold most of the money, people (time) and assets. There is an expectation on the third sector to align to these priorities and to 'ask' business for support | *What are the appropriate priorities and who should set them?* |
| PS1.2 | There are competing priorities and lack of "anchor points" that identify real and emerging challenges in communities | *What mechanisms are required to reconcile competing priorities so that the third sector can align its programmes?* |
| PS1.3 | Weak connectivity between and within sectors. In particular, a perceived limited understanding of the scope and activities of Scotland's third sector from business | *What connections are strong, weak and/or are missing given the various perspectives of stakeholders and understanding of community assets?* |
| PS1.4 | Communicating community priorities and listening to those that understand is a real concern, particularly when the solutions to complex problems lies in communities themselves as opposed to what has been defined as a 'deficit' approach whereby solutions are imposed by outsiders. | *What communication channels exist to influence decision-making [with whom holds the power] in setting the priorities?* |
| PS1.5 | The "Big Squeeze" – "Doing more with less" | *What is the nature in which the third sector is changing and is adapting to its environment?* |
| PS1.6 | Leadership and governance of the processes involved is a central theme in the problem situation (i.e. would-be problem owners and solvers) | *Who (or what) holds responsibility for governing the system and forging the relationships between sectors?* |

as a potential opportunity or even a threat. At this stage it was important to keep an open-mind, but to learn more about the relevance of the Scottish Business Pledge and how it might support the aims of the project (discussed with critical friends from the Scottish Government and Scottish Enterprise). The following question was agreed in the process of investigating the concerns of multiple stakeholders as part of rich picture workshops: *"There are many Grand Challenges facing Scotland today". What are your views and perspectives on how joined up are the Government[s], the private, public and third sectors in addressing these challenges?*

### 4.3. Expressing the problem situation from VAF's perspective

Building on a position of 'finding out' more about VAF, its goal, and problem area, the project team sought to break down the problem area into a number of questions to further debate within the organisation (cycle 1, stage 2). Five rich picture workshops were held with VAF's trustees, managers and staff. The first workshop was held with representatives from VAF's board of trustees, which set the scene for further rich picture workshops, when one trustee with arms folded stated: *"It's a broken jigsaw – I feel very little is joined up"* and *"sectors have different priorities … not on the same wave length"*.

The rich pictures were debated amongst the project team, leading to the six problem situations being expressed and further questions arising for debate, as shown in Table 3. These questions were used to facilitate an ongoing dialogue with key stakeholders. Problem situation 1.6 was seen as central to the whole debate, particularly thinking around the boundary of the problem and any intervention and concerns around 'ownership'. The conversations focused on the appropriate setting of 'anchor points' with which responsible business practice can be aligned. It was acknowledged that reconciling competing priorities around a shared goal would not be possible, and many would argue that this is not the role of Scottish Government in a predominantly neoliberal economic context. In the search for a greater understanding of this concern, the team debated whether the question concerned the 'governance of the network', the social capital within it, or at the interplay between various human activity systems. The analysts at this point revisited the literature and noted contributions on the 'holistic governance of networks' (Nikoloyuk, Burns, & De Man, 2010; Pirson & Turnbull, 2011). This was considered in relation to the role of social capital in these networks, calls to align business and societal goals, and stewardship strategies in order to transfer knowledge related to the problem situation. For the first time, VAF

was able to see the interplay between stakeholders, their roles and the reinforcement of the role that 'social capital' plays as a key component in human activity systems.

### 4.4. Formulating the 'Connect emblematic model' and its sub-systems

The next stage of the process was to formulate some relevant purposeful activity models from VAF's perspective. Five relevant systems were identified that address all six themes / problem situations identified in cycle 1, stage 1. Below, these relevant systems are outlined, named and checked against the six themes/problem situations (in Section 4.4.1) before we offer the 'Connect emblematic model' and its sub-systems (in Section 4.4.2).

#### 4.4.1. Relevant systems to unlock business resources into communities

The project team found that the systems language of SSM, and the CATWOE mnemonic in particular, were extremely valuable when formulating root definitions of relevant systems. Discussion around the questions for debate and examples presented in the rich picture workshops led to five relevant systems being defined and named, shown in Table 4. All five relevant systems had in common the leadership and governance of the network of actors (i.e., the would be 'problem owners' and 'solvers') and processes, identified as a central theme in the rich picture workshops. At this early stage, the people who developed the relevant systems recognised that new systems/processes would be required to position VAF in relation to business potential / future clients. These would include a better understanding of VAF's offer to business and understanding of its business priorities. Relevant systems RS1.1, RS1.4 and RS1.5 already exist in VAF for the purpose of servicing third sector organisations and reporting to Scottish Government.

#### 4.4.2. The 'Connect emblematic model'

The first notional, emblematic model was drawn to represent VAF's goal and incorporate the six themes / problem situations (described in Table 3) and was classified in terms of the five relevant systems (listed in Table 4) as shown in Fig. 1. Using the CATWOE mnemonic, the project team debated VAF's goal, articulated in the 'T' transformation: *the need to unlock and allocate more resources (from 'for-profits') into communities.* In this notional model, VAF was able to reflect on the offer that they intended to make to businesses and to be clear on the primary task of the model, which would be to *'allocate resources'* and to provide an *'evaluation service'* to businesses who invest in communities (as identified in

**Table 4**
List of relevant systems identified in cycle 1 in relation to VAFs people expression of concern.

| Relevant system identified in cycle 1 | | System name | Problem themes identified in Table 3 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | PS1.1 | PS1.2 | PS1.3 | PS1.4 | PS1.5 | PS1.6 |
| RS1.1 | A system to invest in social capital with new and current stakeholders | Investing in social capital | | | | • | | • |
| RS1.2 | An environment-scanning system to identify and align private sector responsible business priorities to VAFs social policy passions | Aligning priorities | • | • | | • | • | • |
| RS1.3 | A system to develop a proposal articulating VAFs offer to business to invest in community programmes, which align to societal goals through effective matching of third sector organisations with business | Developing VAF's offer to business | • | • | • | | | • |
| RS1.4 | A system that identifies alternative sources of people, assets and money that can be allocated to communities in Scotland within an evolving public space | Resource allocation to communities | | | | | • | • |
| RS1.5 | A system for reporting and evaluating outcomes that can be used by business clients to demonstrate responsible business practice and third sector clients to demonstrate greater leverage of resources released into communities | Evaluation services | | | | | • | • |
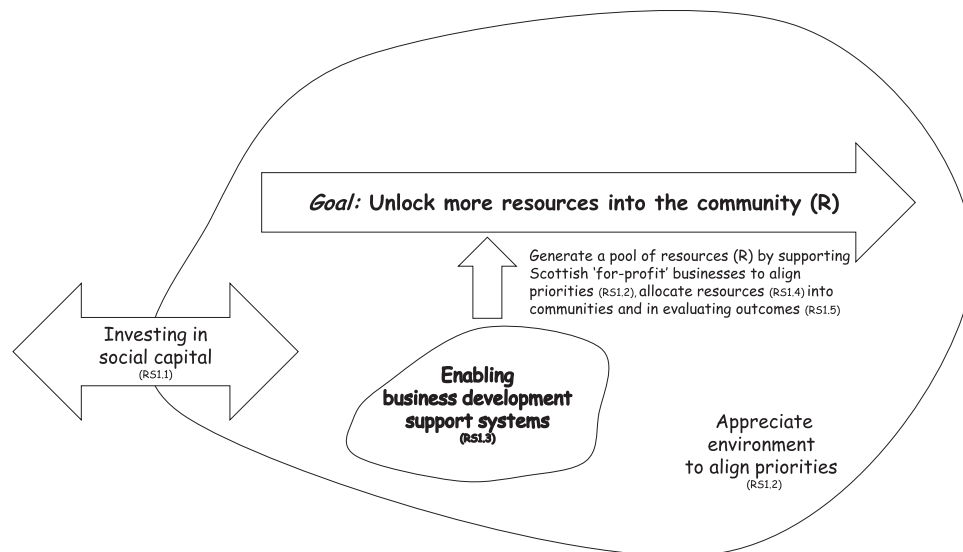


**Fig. 1.** An emblematic model of the *'Connect model'* and its goal.

**Table 5**
The formal root definition and the *'Connect model'* (cycle 1).

*A VAF-owned system to unlock and allocate more resources into the community supported by enabling business support systems that help Scottish Businesses to align business and societal priorities with purposeful CSR/Sustainability responses and evaluation services, through the fostering of connections between and within sectors.*

| | |
|---|---|
| **C** | Business donor(s); third sector grant-holder(s) |
| **A** | VAF people |
| **T** | Need to unlock and allocate more resources into communities |
| | → Need met via enabling business support system/grant-making platform to generate a pool of business resources that can be allocated to communities and the organisations that support them (e.g. employee's time and skills; property and equipment; money) and VAF's generation of social capital. |
| **W** | VAF believes that communities are best placed to address the challenges that they face through investing in a social capital approach to grant making, VAF can help to build assets and forge relationships between business and communities, represented by third sector organisations to sustain them. |
| **O** | VAF |
| **E** | Scottish Business Pledge launched in May 2015 (articulating the Scottish Government National Performance Framework); Trends towards CSR/Sustainability business practice and reporting; Evolving third sector expectations and funding constraints |

Section 2, a problem grounded in a vision for COR). The project is seen as strategic to VAF, to develop and manage innovative programmes that invest in communities to achieve social change and to diversify its funding sources (VAF Strategic Plan, 2014–18).

The formal root definition and application of the CATWOE is shown in Table 5. VAF's worldview *'W'* aroused considerable debate and recognition that the benefit of taking a system-based approach would be to understand from third sector organisations,

government and business alternative perspectives on the problem situation, and how VAF could build support for any subsequent action (to be explored in further SSM cycles). The core belief held by VAF was that communities are best placed to address the challenges they face, represented by third sector organisations that sustain them, and VAF's investment in social capital approach was important. Interestingly, at this stage, VAF's thinking was grounded in seeing themselves as a 'fund manager'. This was the point at

which the tension became evident when debating the *'owner'*; there were no issues in identifying the key decision-makers (i.e. predominantly those with resources and power), except some vocal moments of participants stating the 'people' themselves are the key decision-makers, following the debate on the inclusion of marginalised views.

There was a recognition that a 'space' exists between the for-profit businesses that hold the majority of resources and their wish to invest a proportion of these in addressing the challenges communities face. In this space, tension existed between and within the sectors, highlighting an avenue for further study (the potential sources of conflict), in bringing together a cross-sectoral approach to address challenges that communities face. This was addressed in part by referring back constantly to the *'Connect model' 'W'* and other CATWOE elements. Here the project team were able to begin to appreciate, from a third sector and Government perspective, how different sectors *"see themselves"* and underlying sources of conflict and tension.

Using the formal root definition, a detailed *'Connect model'* was formed, shown in Fig. 2. This helped the project team consider further the role that VAF could play to bring more resources into communities (the goal), strengthen the business development system, and forge relationships with business. This system would need to allocate resources by aligning business and community priorities articulated in VAF's business and evaluation services, which help businesses to report their investing/engagement strategy in communities. At this stage, the term *'conduit'* kept cropping up in the language used in project team meetings[5], coinciding with discussions that focused on labelling RS1.5 as the 'outsourcing' of responsible business practice. This was quickly rejected as it would go against VAF's worldview and the increasing trend to truly embed sustainability into the core of an organisation's DNA. It became evident that VAF could not simply follow a traditional grant-making approach; the unlocking and allocation of resources would require a different way of thinking. At this stage, the project team started to gain a greater understanding of VAF's 'offer' to business, the enabling business development system and the desire to explore perspectives on the problem situation from different sectors.

### 4.5. Taking action: an early intervention to invest in social capital

At this stage of the research (cycle 1, stages 2–4) VAF wanted to get a feel for its goal and approach. The team recognised that the *'Connect model'* would evolve as the research progressed throughout each of the stages (incorporating other stakeholder views – addressing their expressions of concern). This emblematic model helped to facilitate a dialogue with Scottish Government and Scottish Enterprise, who had expressed an interest in the project. In this dialogue, it was recognised that this would be uncharted territory for VAF and that the Scottish Business Pledge, with its community component, might be a suitable vehicle with which to build capacity (as identified in the finding out stage). Additionally, both parties would help the team to identify suitable participants for the study.

The dialogue with key stakeholders identified an emerging need for an intervention at this early stage to *'invest in social capital'*, and that this would form the basis for further activity (Root definition and CATWOE shown in Table 6). VAF renamed this model as the *'Responsible Business Forum'*, following VAF's belief that an event that emphasised the 'community component' of the Scottish Business Pledge could build social capital with businesses and support the Scottish Government aim to encourage more signatories to the pledge. Hence, the *'T'* was to get more 'sign-ups' for

the 'community component' by promoting a responsible business practice that invests in the community. Although the early cycles of SSM omitted a business perspective, the project team recognised the importance of understanding the motivations, drivers, benefits and support needs from four pioneering companies that have committed to the Scottish Business Pledge, so to better understand the environment *'E'* in which VAF wish to operate (presented in Weaver, Paxton, Tan, & Crossan, 2016). These four companies were suggested by Scottish Enterprise and agreed to be critical friends over the period of the project, in part addressing a limitation in this project of not engaging with business until cycle 4.

The formal root definition was formulated into a model for the Responsible Business Forum (not included in this paper) and comparisons made between this model and the perceived real world focused on the *'ownership'* of the Responsible Business Forum. This would need to be the members of the steering group itself, made up of a number of would-be problem solvers. However, it was recognised that VAF, with the support of Scottish Government and its agencies, would support its establishment and ensure governance arrangements are in place for its future development (neither being *'owned'* by VAF nor the Government). This resonates with the central theme identified in the problem situation that no governance of the network exists, and with VAF's initial belief that the Scottish Business Pledge may act as an 'anchor' for action (other key comparisons are shown in Table 7).

When moving to debating and defining change, the analysts were keen to ground discussions in 'what' questions, as some 'how' questions had crept into the dialogue with key stakeholders. Tables were used, similar to those presented in Checkland and Scholes (1990), to structure debate about systematically desirable and culturally feasible changes (suggested changes are shown in Table 7). The Deputy First Minister of Scotland formally launched the Responsible Business Forum in February 2016 (See Edinburgh Chamber of Commerce, 2016), the intervention being a direct outcome from cycle 1 of this SSM study and implementing the changes identified. A critical friend noted: *"the Responsible Business Forum was the first event of its type … I'm pleased it went well,"* and recognised that *"progression needs to be built in from the outset, I suppose, new voices, new thoughts … so that it's capable of evolving … one of the values for this work would be if it provided us [the Scottish Government] with the capacity to keep growing"* (Policy Manager, Scottish Government). In the following cycles, these new voices and thoughts were included in the study so that the Responsible Business Forum action could be evaluated and the *'Connect model'* further refined (in Section 5).

### 4.6. SSM cycle 2: forming new perspectives (third sector organisations)

The second methodological cycle sought to form new perspectives from third sector organisations and other fund managers on the problem situation by using the same focal question. The third sector organisations were further categorised to represent large, medium and small third sector organisations using the Scottish Council for Voluntary Organisations definition (see SCVO, 2014) to encourage a greater diversity of views.

#### 4.6.1. Challenges facing third sector organisations in Scotland

Twenty-six challenges were identified and grouped into five themes (shown in Table 8). VAF issued a survey to existing and past-funded organisations in order to gather wider views. However, not enough respondents were gathered to draw reliable and credible judgements. Nevertheless, the small number who did respond to the survey informed VAF's prioritisation of issues and highlighted that all were significant (no weighted average below 4/5). The findings were debated with VAF's critical friends who

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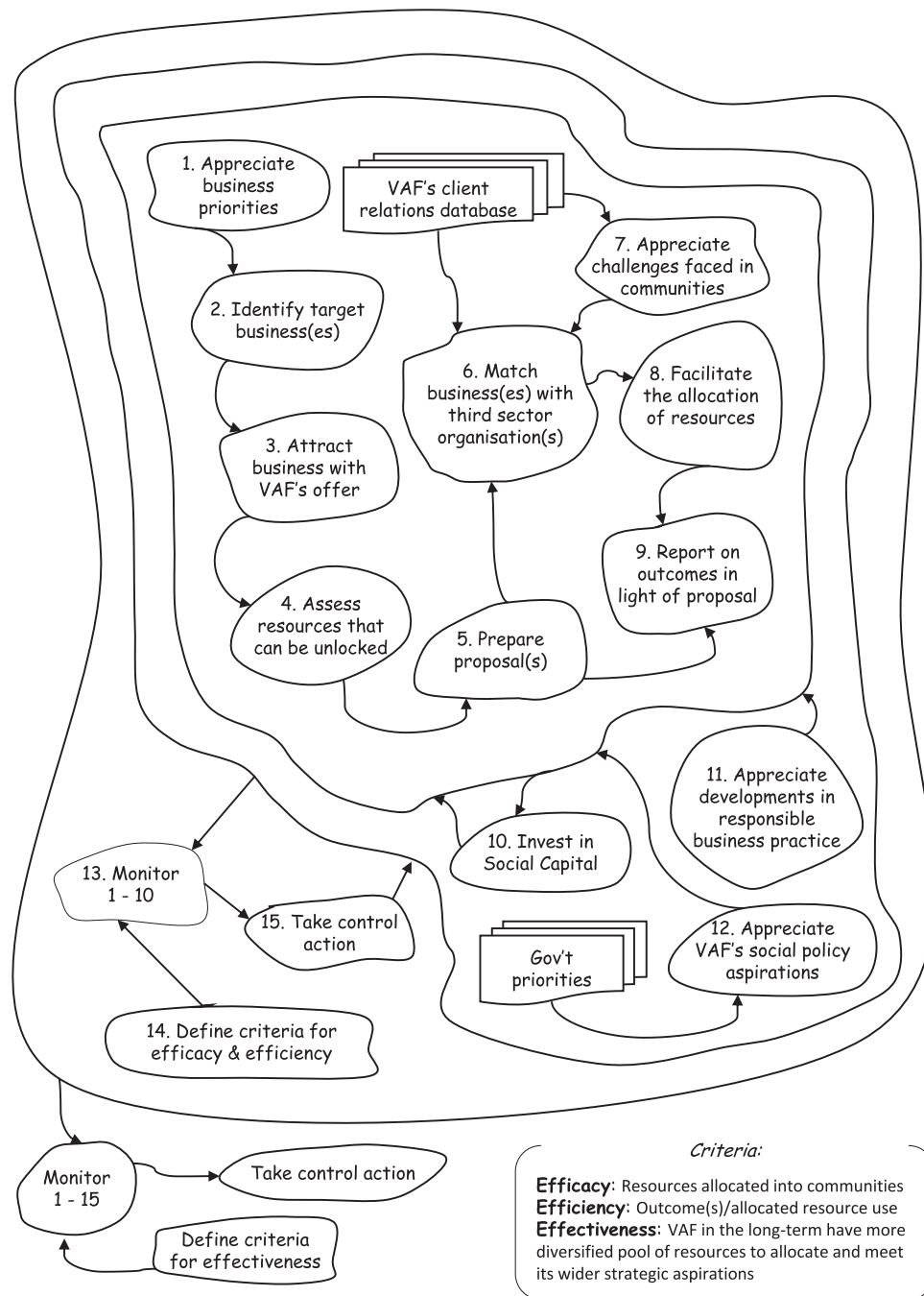[5] Other words included a 'broker' and a 'bridge' that emphasised different *'Ts'*

**Fig. 2.** The detailed *'connect model'* following the root definition described in Table 5.

**Table 6**

The formal root definition of the Responsible Business Forum.

| | |
|---|---|
| | *A system, organised by the Responsible Business Forum steering group, that seeks to forge connections between and within sectors, to promote responsible business practice and its impact on communities, supported by the Scottish Government's Business Pledge and steering group member organisations who will support the implementation of community CSR/Sustainability responses* |
| **C** | Scottish Businesses interested in Responsible Business (potentially sign-up to the Scottish Business Pledge) |
| **A** | VAF; Scottish Government; Scottish Enterprise; Highlands and Islands Enterprise; Business in the Community Scotland; Edinburgh Napier University |
| **T** | To forge connections and promote responsible business practice, with a particular emphasis on the benefits of adopting the Scottish Business Pledge and its community component |
| | → By increasing the number of organisations adopting the community component as part of signing up to the Scottish Business Pledge and forging connections between responsible businesses and the umbrella bodies supporting the implementation of the Scottish Business Pledge |
| **W** | A belief that the Responsible Business Forum will encourage more sign-ups to the Scottish Business Pledge and joint working with key actors will lead to business development opportunities for VAF and stronger relationships with Government and strategic partners |
| **O** | Responsible Business Forum steering group |
| **E** | Scottish Government vision for a fairer Scotland and key economic drive for 'inclusive capitalism' approaches underpinned in part, by the Scottish Business Pledge; Growth in a climate of responsible business practice in Scotland |

**Table 7**
Comparisons and suggested changes to bring about the Responsible Business Forum.

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**Comparisons between *'Responsible Business Forum'* model and the expressions of concern**
- No steering group exists that helps to govern the network for cultivating responsible business
- No shared vision due to each actor setting its own priorities based on its own interest
- The Scottish Business Pledge attempts to share a vision between government and the sectors, although this is deeply 'anchored' in Scotland's national priorities and language and the emphasis is business-led
- Although sign-ups to the Scottish Business Pledge are dominated by large organisations, the opportunity also exists to support SMEs (majority of Scottish businesses)
- Lack of mechanisms to share good practice and listen to the views in each of the sectors (recognised that the 'Business in the Community' organisation, which represents businesses)
- Social capital already exists that can be pooled (i.e. partner databases)

**Suggested changes to bring about the Responsible Business Forum**
1. Form a steering group of cross-sector leaders with interest in investing in the community
2. Devise a mechanism for setting a shared vision amongst steering group members
3. Investigate ways to understand the priorities of different sectors and reconcile those with community priorities
4. Investigate whether the Scottish Business Pledge is an appropriate mechanism for sharing a vision between sectors and ongoing role of government (as one problem solver, not the problem owner)
5. Consider the ways in which members should be elected to represent constituent groups, their terms of reference and length of appointment
6. Consider the planning and resourcing needs for Responsible Business Forum events
7. Consider the intended audience for Responsible Business Forum events, leveraging steering group contacts
8. Adopt processes and practices for collating feedback from events and following up on participants' requests (e.g. businesses and third sector organisations requiring support)

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**Table 8**
Issues arising from rich picture workshops with third sector organisations and other fund managers.

| Emerging theme | Challenges facing third sector organisations in Scotland (Prioritised by VAF, informed by a survey of funded organisations and interviews with critical friends) |
|---|---|
| Funding and funding cycles | Alignment of funding resources available to organisational needs;<br>Lack of public funding sources;<br>Expectation to "do more for less";<br>Short term funding cycles;<br>Time taken by third sector organisations to chase funding, make applications and sending them out;<br>Lack of independent funding sources;<br>How funding is distributed by grant makers |
| Setting priorities | Mismatch of funding (financial capital) to organisational need;<br>Time pressure on planning cycles;<br>Competing business priorities;<br>Competing policy priorities (fund managers);<br>Competing policy priorities (Scottish Government) |
| Skills and assets (human resources, skills and physical assets) | Long-term sustainability of skills and asset resources;<br>Availability of resources and routes to accessing them;<br>Mismatch/alignment of skill resources (human capital) to address challenges as a voluntary organisation;<br>Mismatch/alignment of asset resources (physical capital) to address sector challenges |
| Relationships between and within the public, third and private sectors | Relationships within your sector;<br>Relationships between the sectors;<br>Breaking down of stereotypes that hinder collaborative working between sectors and organisations;<br>Equality of relationships and power (real or perceived) between the sectors;<br>Relationship between funder and recipient;<br>Ownership of policy priorities |
| Operating environment and climate | Need to improve the quality of funding applications to ensure successful funding bids addressing specified criteria;<br>Fund managers' and funders' understanding of the breadth and diversity of the third sector in Scotland;<br>Government officials' perception of the third sector;<br>Grant makers and funders understanding of the environment in which they operate;<br>Quality of communication between recipients of funds |

confirmed the list was in line with expectations, comprehensive, and the findings were of value.

Cycle 2 workshops reinforced the problem area expressed by VAF and articulated that the underlying issue was a lack of alignment in different ways. Two groups drew this situation as "*square holes for circle problems",* and another group referred to a castle with high walls between sectors. Taking the first analogy, this was used to suggest that third sector organisations may identify *"circle problems"*, but due to a particular funding call, had to adapt or even change direction to fit the *"square hole"*. VAF itself had to secure programmes from its principal donor (the Scottish Government), followed by designing programmes, pro-

moting funding opportunities and assessing applications. A second participant highlighted that the wall exists between the donor and recipient of allocated resources. As one participant argued: *"the private sector does one thing … the Government another … and the third sector doing a third thing"*. This group recognised that *"these were all very inter-connected and the relationships going backwards and forwards were central to everything that happens"*.

The 'setting priorities' theme was closely interlinked with a lack of alignment, underpinned by constraints and limitations placed in the 'operating environment and climate' (characterised by VAF as the *"big squeeze")*. One group represented this as a *'ball on a chain'* metaphor for the constraints imposed on the third sector and

the outcomes that need to be achieved to satisfy the funder. In essence, the third sector organisations were expressing a form of the emerging asset-based approach to grant-making. In relation to business priorities, one participant expressed that they wanted to see *"less of CSR as a tick-boxing exercise ... and tokenistic partnerships [with third sector organisations]"* and more of the *"right community's resources targeted with the most appropriate resources"* (reinforcing the 'square/circle hole' analogy). A critical friend reinforced these points and added that these examples indicate *"businesses do not really know how the modern charity world actually works"*, while recognising some relationships were good but *"some were very superficial"*. This person added that *"a lot of businesses don't know how to engage"* (a fund manager, critical friend). These issues are deeply rooted in how we understand CSR/Sustainability and its direction of travel, plus the emergence of assets-based approaches to resource allocation, as expressed in the following example (one of many that emphasises this): *"Sometimes what you get offered is maybe not what you need, you don't need a day with 100 volunteers coming up to do a community garden, actually what you need is real capacity building, in a way that might be to support, IT support, not necessarily covering head office costs but core sustainability funding and I think, corporates are starting to get that"*.

Participants were highly concerned about the perceived tightening of funding and funding cycles getting shorter. One of the critical friends (a fund manager) was keen to dispel the myth that there is a lack of funding: the *"organisation usually has an underspend"*, stressing a related and new issue that the need was for *"better applications"*. This could have two meanings: 1) some applications are poor in general; and 2) there is a difficulty in addressing a *"square hole"* with a *"circle"* – an area for further investigation. VAF's critical friend inside the Scottish Government highlighted a concern that third sector organisations spend considerable time, resources and funds to make and chase applications. It can be argued that many of the challenges described so far are situated in how priorities are set (by a benefactor) and how third sector organisations complete applications to respond to funding opportunities. One group argued that funding was *"peripheral although essential to making things happen, the work carries on even if we don't have these two things"* (represented in the rich pictures as *'cogs in a system'*). This group continued to stress that the cogs keep turning because *"third sector people make them work, might take longer, but we keep going"*. At the heart of the situation is the perspective of third sector organisations that they are closest to people and communities and continue to address *"circle problems"* even when seriously hindered in doing so, while at the same time committing resources to apply for funding that on occasion distracts third sector organisations from addressing the real and emerging challenges communities are facing.

Another strong theme concerned the relationships, diversity and disproportionate power dynamics within and between sectors, leading to both intra and inter-sectorial challenges. Stereotyping was at the heart of these discussions, and a note that sometimes the *"big fish"* (more well-known third sector organisations, including highly recognised charities) get more attention when resources are allocated, while some participants suggested that often the *"little fish"* might be best placed to represent a particular challenge in a given location. References were made to a lack of a *"level playing field"* with a need to *"make things more equal"* and call for greater transparency in the way in which resources are allocated. Related to stereotyping, the wall analogy was referred to, in this case to represent a deep and entrenched *"them and us"* mentality, this being articulated in examples of the way people dress, pay gaps, work ethic, ability to manage cash, poverty vs profit mind-set, and the myth that *"more money does not mean you are working any harder"*. This situation reinforces the potential

sources of conflict that may be present, and hinders the forming of a relationship for purposeful action.

On the flip side, one group of third sector organisations and two critical friends (a Scottish Government policy manager and a fund manager) were keen to note that *"Islands of good practice do exist"* (e.g. government and business working together), but they highlighted that they could not think of examples of business, government and third sector organisations working together. However, one group suggested that they could find many examples of people coming together around a cause, who form the electorate, are in workplaces, may have civil roles, and can self-organise. They looked to this *"bottom up movement for social change"* through the self-organisation of people to provide opportunities for collaboration. Another group added that people, when they self-organise, put on pressure, pointing to the emergence of the Living Wage Campaign and changes to flexible working (discussed in Rowlands, 2013). One group participant was agitated, receiving applause from the other participants when suggesting *"people are at the heart of communities, you also find the same people holding positions in the different sectors .... there are no barriers ... actually no such thing as sectors"* (supported by a Scottish Government policy manager). One critical friend (a fund manager) also wished to stress that *"Businesses are part of communities already"* and highlighted that this is more evident in SMEs. In addition to this, a third sector organisation participant recognised that *"[Government] have good policies (e.g. The Community Empowerment (Scotland) Act 2015) but we're not always convinced that they really listen to others, particularly from the third sector"*.

### 4.6.2. Relevant systems (third sector organisations)

The twenty-six challenges facing Scotland's third sector underpinned the identification of twelve relevant systems representing a third sector perspective (shown in Table 9). These relevant systems were cross-referenced with the five that are encapsulated in the '*Connect model*' (from cycle 1).

A number of the relevant systems were developed into conceptual models to gain a greater understanding of relevant systems from the perspective of third sector organisations, helping to further develop VAF's offer. Models of RS2.7–2.9 were very useful, as they demonstrated novel approaches to 'flipping' what we understand as CSR/sustainability to one in which the third sector organisations articulate how they can jointly create value with business. For instance, in terms of assets, businesses hold under-utilised or even redundant capacity/equipment that could be expended by communities (less of the *"them and us"* and more of the *"what can we do together?"*).

### 4.7. SSM cycle 3: forming new perspectives (Government and public sector)

The third methodological cycle sought to form new perspectives on the problem area from Government and their agencies, plus public sector bodies. This included two workshops with officers from Scottish Councils (representing Scottish Borders to Shetland, including Glasgow, Edinburgh and North Lanarkshire); two with representatives from the Scottish Government and its business development agencies (including representatives from the Scottish Business Pledge team and the Chief Economist for Scotland), and one group consisted of university managers and one with managers from a public utility. Devolved Government was particularly seen as a key stakeholder, as it provided the majority of VAFs' income stream, and it was initially recognised that the Scottish Business Pledge may provide an opportunity to VAF. This cycle also confirmed to VAF that the SSM approach not only provides learning, action and evaluation, but also capable of facilitating the investment and building of social capital with

**Table 9**
Relevant systems identified in cycles 2 and 3, cross-referenced with those in cycle 1.

| | Relevant systems identified in cycle 2 | Relevant systems identified in cycle 1 | | | | |
|---|---|---|---|---|---|---|
| | | RS 1.1 | RS1.2 | RS 1.3 | RS 1.4 | RS 1.5 |
| **RS2.1** | A system that provides an Interface between sectors | • | | | | |
| **RS2.2** | A system to match and align funding from businesses to address sector challenges | | • | | • | • |
| **RS2.3** | A system that provides an Interface that helps to facilitate communication and nurture the relationship between the giver of resources and recipient | • | | | | |
| **RS2.4** | A transparent system for allocating funding, skills and assets limited by funding cycles | | • | | • | • |
| **RS2.5** | A system that identifies competing priorities and seeks to reconcile and redistribute the balance of power and relationships to address real and emerging community challenges | | • | | | |
| **RS2.6** | A system for environmental-scanning to identify opportunities to match business and societal priorities | | • | • | | |
| **RS2.7** | A system to match and align skill resources (human capital) from businesses to address sector challenges | | • | | | |
| **RS2.8** | A system to match and align asset resources (physical capital) to address sector challenges | | • | | | |
| **RS2.9** | A system to match and align financial resources (financial capital) to address sector challenges | | • | | | |
| **RS2.10** | A system that embeds concerned citizens in a multitude of sectors and societal roles in the decision-making process for allocating resources in the community | • | | • | | • |
| **RS2.11** | A communication system for presenting the priorities of communities and the role of the third sector in addressing them | • | • | | | • |
| **RS2.12** | An environment-scanning system that aids fund managers and funders to understand the breath and diversity of Scotland's third sector and the opportunities for co-production | | • | • | | |

key stakeholders. These stakeholders, who made up the Responsible Business Forum steering group, acted as 'problem solvers', effectively governing the network and disseminating good practice.

#### 4.7.1. Forming new perspectives (Government and agencies, public sector)

The rich picture exercises with Scottish Government were interesting, as participants kept referring back to the *"unique Scottish approach"*, which was also apparent in cycles 1 and 2. They noted that this approach is deeply rooted in *"creating an environment that works towards inclusive growth and a fairer Scotland"* (Scottish Government participant). Each rich picture represented this approach either at the top or in the middle of the flipchart. Both groups described this as the 'shared goal', and often referred to it as "building an inclusive capitalist economy" with one group depicting this as the 'North Star'. The word 'shared' was debated by the project team, since there was little evidence in the rich pictures that this had been embedded through the communication channels identified. Referring back to the description of the approach, all agreed that the role of Government was to create the environment to make this happen, but confusion existed in the setting of priorities and the suitable anchor points for alignment. It can also be suggested that this focus by the government crept into the original root definition for the '*Connect model*' and strongly underpinned the belief that influenced the design of the Responsible Business Forum. This represented a bias towards the Scottish Government's approach, although people sought solutions that redistributed power and led to the intervention that would intentionally help to address the challenges identified by third sector organisations. This is evident in the root definition for the Scottish Business Pledge, agreed by the project team (following a CATWOE analysis): *"A Scottish Government owned system to secure pledges to gain Scottish business commitment to addressing two or more national priorities (living wage + at least one other component + commitment to all in long term) in order to work towards a shared goal of inclusive growth"*.

The local government workshops were more closely aligned to those experienced in cycle 2. For instance, it was stressed that local government is connected to local challenges, but this is distorted at higher levels of Government. One local government participant stated that the *"Council priorities do not seem to address the grand challenges!"* The group recognised that there are multiple layers of government, each with a set of priorities and different approaches to achieving them (this was depicted as an image of a coastal cliff). A public sector participant argued that the Scottish Government has a *"top down approach … not listening to the voices of the poor"*. There were also suspicions voiced when discussing 'CSR/Sustainability', with examples of *"not giving back in their [business] community … it's a marketing ploy …. done for tax relief issues"* (Local Government participant). However, the conversation did highlight the value of the 'CSR movement' as a relatively 'untapped opportunity' that could be scaled with purposeful action. Significantly, it was recognised that there was too much focus on the 'C' in CSR - *"we are not engaging with SMEs"* (Local Government participant), particularly when the Scottish economy is dominated by SMEs.

Local government also echoed cycle 2 sentiments that *"there is no alignment but there are some good examples when corporates want to!"* This highlighted further hindering thoughts that would impact on how each sector is perceived, the likelihood of successful collaboration between the sectors and implications for creating joint value. Local Government was also seen as constrained by funding from higher levels of government. This group also depicted a time clock for applying for funding, and the support needed to lead to a successful application. This was expressed in *"we need to break the chain of constantly applying for funding … Really good work just stops despite evidence that it is a good project"*. As noted in cycle 1 and 2, it was expressed that projects continue due, in part, to concerned citizens coming together to bring about action (to address a '*circle problem*'). In a wider sense, discussions represented the broad aspirations articulated by the Scottish Government for a strong and more inclusive economy. and the implications of this for the welfare state and the changing nature of the third sector in the UK.

#### 4.7.2. Relevant systems (Government and agencies, public sector)

Table 10 lists eight relevant systems that address the concerns raised in the previous section, cross-referenced to the '*Connect model*', the majority corresponding to the '*investing in social capital*' and to '*align priorities*'. Two indirectly concerned the allocation of resources – essentially, this supports the expression of Government's role in *"creating the environment for inclusive growth"* (Scottish Government participants). Relevant to both VAF and cycle 3 participants, is a system for facilitating the flow of knowledge and skills from business and into communities. The project team was surprised that the flow and allocation of 'money' was not identified as a relevant system in cycle 3. Particularly, as in cycle 2, 'sources of funding and funding cycles' were identified as a key issue by third sector organisations. This gives rise to the role of the Scottish

**Table 10**
Relevant systems identified in cycles 3 cross-referenced with those in cycle 1.

| | Relevant systems identified in cycle 3 | Relevant systems identified in cycle 1 | | | | |
|---|---|---|---|---|---|---|
| | | RS1.1 | RS1.2 | RS1.3 | RS1.4 | RS1.5 |
| RS3.1 | A system for creating an environment that works towards people-centred inclusive growth (a shared vision) | • | • | | | • |
| RS3.2 | A system that helps to reconcile priorities, motivations and incentives and remove barriers towards a shared vision of inclusive growth | • | • | | • | • |
| RS3.3 | A system for signing up Scottish businesses to a shared vision and practice of inclusive growth | • | • | • | | |
| RS3.4 | A system to support knowledge and skills flowing into and between communities and businesses | • | • | • | • | • |
| RS3.5 | A system that facilitates active co-operation between sectors by bringing people together to work towards a shared vision, foster relationships, and improve communication and co-production | • | • | • | | |
| RS3.6 | An environment scanning system to articulate SMEs agenda for responsible business | | • | • | | |
| RS3.7 | A system to create local policing plans, informed by local priorities, identified through community planning processes and local planning | | • | | | • |
| RS3.8 | A system that supports citizens to self-organise around areas of concern/action | • | | | | |

**Table 11**
Refined *'Connect model'* CATWOE and root definition (after cycles 1–3).

| | **A system, organised by VAF people to bring about a transformation in the relationship between aligned responsible business and third sector aspirations and open 'shared spaces' for these relationships to allocate resources (i.e. people, assets, money) and evaluate outcomes on joint value created** |
|---|---|
| **C** | Businesses operating in Scotland with emphasis on SMEs wanting to invest in responsible business practices for community benefit (including not only Pledge signatories but companies exhibiting the community component Pledge-like characteristics)[1] |
| **A** | Members of the Responsible Business Forum (i.e. its founding members: VAF; Scottish Government; Enterprise Networks and representatives from the third sector, business and academic partners; self-organised concerned citizens that coalesce around emerging challenges |
| **T** | To create a dialogical *'shared space'* in which responsible business practice can be aligned and connected to communities' priorities → By developing and testing a series of business proposals that match responsible business and third sector aspirations so that resources can be allocated and outcomes evaluated (informed by VAF's offer to business and understanding of the challenges communities face) |
| **W** | VAF believes that communities are best placed to address the challenges that they face. Through VAF's investing in social capital approach to grant-making, VAF seeks to unlock and release resources in order to build assets and relationships that help support and sustain inclusive growth and the creation of abundant communities. VAF will act as a conduit to create a 'shared space' for matched business and community partners who hold shared goals and by doing so allocate resources (i.e. people, assets and money) and report on outcomes to demonstrate joint value being created. |
| **O** | VAF people own the process: *'Connect'* and its *'Shared Space'* organising principles; Responsible Business Forum governs the problem area that VAF operates within |
| **E** | Constraints and limitations that will restrict operationalisation of *'Connect'* and its success will principally be the non-establishment/legitimisation of the Responsible Business Forum. Risks may include policy (e.g. abandoned leadership at national level to Scottish Business Pledge characteristics), economic (e.g. shift to re-emphasise neoliberal ideology; cooling-off from ideas around inclusive capitalism) and prolonged constitutional uncertainty. |

[1]Businesses exhibiting characteristics in community engagement are identified through the client and account management process administered by the Governments Enterprise Networks, a founding member of the Responsible Business Forum

[2]As perceived by VAF that these resources could be pooled to better service SMEs (further work required on how to support them)

Government to cultivate a fertile environment for inclusive growth that includes new ways to help with the allocation and flow of resources between businesses and third sector organisations.

### 4.8. Re-visiting cycle 1 to refining the 'Connect model'

The newly formed perspectives helped to refine the *'Connect model'* CATWOE, shown in Table 11. Particularly the *'transformation'* (discussed in Section 4.8.1), *'worldview'* (discussed in Section 4.8.2) and *criteria for evaluating the system performance* (discussed in Section 4.8.3) was further debated with critical friends that represent each of the sectors.

#### 4.8.1. Refining the 'Connect model' 'T' based on new learning

The output stated in the *'T'* in the *'Connect model'* CATWOE concerns the allocation of resources to create joint business and community value. This is seen as distinct from a traditional view of CSR focused on citizenship, philanthropy and sustainability (Porter & Kramer, 2011). Many groups referred to the evolving nature of CSR, recognising that the *"business agenda is moving on quickly – CSR seems out of date"* (fund manager, critical friend). The rich pictures and ongoing dialogue with key stakeholders characterised this view, along with examples that support Porter and Kramer's (2011) beliefs regarding the discretionary nature of CSR, influence of personal preferences, and the need to report externally (further discussed in Section 5.2).

The project team recognised four key actors in the *'Connect model'* that would need to be represented by a Responsible Busi-

ness Forum. The project team moved on to describe the intended outcomes for each, realising that each also provide input(s) into a 'melting pot'. Essentially, responsible business is not just the pursuit of the business community, using Porter's (2013) argument to "let business solve social issues". This implies a deficit view of resources and relationships that already exist in communities, and on the whole business-led initiatives that lack meaningful engagement with communities themselves (who best understand their own challenges). At this stage, the language of co-creation began to fully emerge. VAF's *'T'* was not simply to *'get'* resources, *'allocate'* them and then *'evaluate'* outcomes for the donor. This led to multiple *'Ts'* being formed to facilitate debate (shown in Table 12). This reinforced a recognition that 'assets' already exist in communities, *'W'* that communities are best placed to understand challenges, and are represented by third sector organisations who can be seen as natural partners for responsible business action when aspirations and goals can be shared. This also went to the heart of the 'ownership' of the *'Connect model'* as the problem area described in this paper is not 'owned' by anyone. However, a Responsible Business Forum was seen to be able to play a governance role, to bring about a multitude of stakeholders and seek to better align and connect goals (i.e., playing the role of umpire). Discussion also included the difficulties in realising the *'T'* within the environment of VAF – dominated by big businesses, holding the majority of resources, and the Government, anchored by political ideology (e.g., "the big squeeze", and in Scotland prolonged constitutional uncertainty).

**Table 12**
Multiple *'Ts'* from different perspectives.

| | | | |
|---|---|---|---|
| $T_2$ *(Third sector organisations)* | Relationship formed and resources allocated (people, assets, money) | → | People and communities are resourced, connected and self-organising |
| $T_3$ *(Scot Gov't and agencies)* | Continued support and representation in the Responsible Business Forum to develop a shared vision and articulation of this vision in the Business Pledge | → | Contribute to inclusive growth – a synergy between a strong competitive economy and a fairer, more equal society |
| $T_4$ *(for-profit businesses)* | Human capital – **people**'s skills and time; Physical Capital – Redundant/Under-utilised business **assets**; Financial assets – **money** | → | Contribute to business performance and evidence that practice is grounded in challenges faced by communities (used in reporting) |
| $T_5$ *(Citizens)* | Self-organised, concerned citizens involved in decision-making on resource allocation | → | Better informed decision-making (further research required) |

### 4.8.2. Refining the 'Connect model' 'W' based on new learning

The *'W'* present in the *'Connect model'* was further debated within the project team, following on from discussions with critical friends in cycle 2 and 3 (stage 3). It was at this stage that the word *'space'* began to be repeatedly used in relation to bringing together sectors and people to build value. Significantly, the role of VAF acting as a *'conduit'* was raised to unlock and facilitate these *'shared spaces'*. The learning from the cycle 2 workshops demonstrated clearly the difficulty in creating these 'spaces' and also the value when aspirations and values can be shared. These difficulties were expressed as a lack of shared understanding, competing values and priorities, and often stereotyping hindered relationships between and within sectors and in different localities.

### 4.8.3. Understanding criteria for evaluating the system performance

During cycle 1, the 3Es (efficacy, efficiency and effectiveness) of the '*Connect*' and *'Responsible Business Forum'* models were debated with the client and further refined after discussions with critical friends, from cycles 2 – 3 (stage 3). The discussion reinforced VAF's perception that the inaugural Responsible Business Forum was a success, should not be a one-off event, and requires a concerted, ongoing effort. This was reinforced by the Scottish Government's policy manager who suggested the need for *"new voices, new thoughts"* to reflect the diversity of sectors, size of organisations and geographical spread. There was also a recognition that "*there would be a limitation on the number of communities really represented"* (Scottish Government's policy manager echoed by all fund manager critical friends). Representation was also seen as a key criterion, ensuring an equal voice for participants and a voice for concerned citizens to directly shape a shared vision of the challenges articulated by the Responsible Business Forum, and to contribute to building capacity through investing in social capital (the number of relationships forged) and identifying ways to measure how these relationships lead to purposeful activity. Thus, the model represents the different sector views, directly influenced by people and communities themselves, and provides VAF with an anchor to align its social policy aspirations (activity 10 in Fig. 3) with: 1) concerned citizens (influence and control on the whole system); 2) government priorities; and 3) developments in responsible business practice (activity 9 in Fig. 3).

## 5. The "gift": the *'Connect model'* seen from multiple perspectives

SSM provided a useful set of steps to help the client learn about the problem situation, formulate purposeful activity models from multiple perspectives and, in addition to this, incorporate learning into a refined *'Connect model'*. Through this dialectic learning process between VAF (the client), the analysts, workshop participants (from three cycles of SSM) and critical friends, the *'Connect model'* can be proposed (shown in Fig. 3). The model has the goal to unlock and bring about more resources (from for-profit businesses) into communities. This includes five sub-systems underpinning VAF's approach: to *invest in social capital* (e.g. the Responsible Business Forum), *align priorities*, *develop VAF's offer*, *allocate resources* and *provide evaluation services*. In essence, the value of this study to VAF was seen as the *"gift"*, as Burns wrote in *To a Louse* (1786) *"to see oursels as ithers see us!"*.

This study, to date, has provided a "flipped view" of responsible business practice from the perspective of government and the third sector rather than a typical corporate version of the way in which businesses see themselves and their role in society. This 'flipped view' was reinforced by a critical friend (a fund manager) who suggested that the *"focus should be on a community ability to identify issues themselves"*. Engaging widely with businesses (cycle 4) and concerned citizens is a significant limitation of this study, and will be the focus of further work, almost certainly leading to further refinement of the *'Connect model'*. With regard to the latter, it is worth noting that this study has engaged with 145 participants to date, all of whom are concerned citizens. In this study, the findings were improved by selected critical friends who could challenge the learning to date on the problem situation, the formulation of purposeful activity models and the early intervention brought about by this research (the Responsible Business Forum). This stimulated significant debate with the project team and helped VAF to build coalitions of support with stakeholders who could support or hinder future action.

SSM helped to generate new ideas. These are captured in three emerging concepts that have been incorporated into the *'Connect model'*, and have further implications for research and practice. These are: 1) the fostering of *'open spaces'* to invest in social capital and represent the "whole system"; 2) the *co-creation of business-community value,* providing an environment in which citizens and communities are central to the experience and evaluating the effectiveness and efficiency of the "whole system"; and 3) the need for a *conduit* to unlock and facilitate a *'shared space'* that brings together relevant stakeholders who share aspirations and goals (a self-defining boundary). The following section will describe these in more detail, locating each in new literature that was consulted as a result of new learning and to ground them in existing practice.

### 5.1. Fostering 'open space' to invest in social capital

The *'Investing in social capital'* relevant system served as the basis for the development of the Responsible Business Forum. This was based on a belief that investing in social capital with business was necessary at an early stage, and that the Scottish Business Pledge presented a business opportunity. Essentially, the Scottish Business Pledge, and its community component, provides one particular anchor articulating the Scottish Government priorities for community engagement. A particular observation on this approach relates to learning from cycle 2 and 3, demonstrating a need to
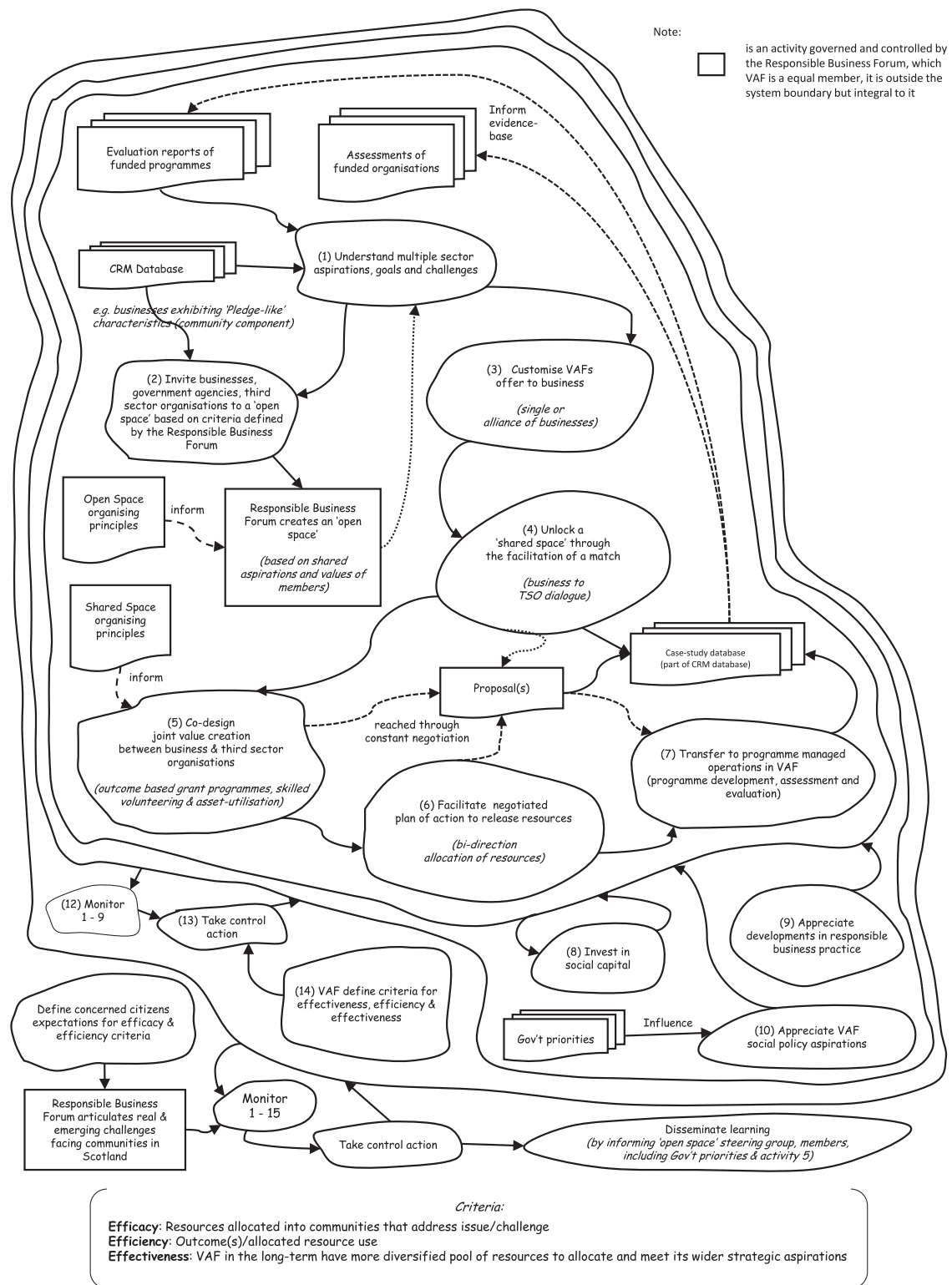
**Fig. 3.** the refined *'Connect model'* incorporating different perspectives learnt in cycles 1–3.

open a dialogue with key stakeholders in a SSM intervention of this type. For instance, in terms of *'ownership'*, no one organisation or sector 'owns' either the problem or the Responsible Business Forum. The authors have argued that a governing body is required to bring together multiple actors with competing aspirations and diverse values into a network. This was the aspiration of the Responsible Business Forum, although VAF established it with key

partners, so the original *'Connect model'* CATWOE was not fully realised. Particularly, VAF's *'W'* and Responsible Business Forum *'T'* had a bias towards promoting the Scottish Business Pledge and 'talking' to business. They essentially lacked a third sector perspective, reflected in the view expressed by a critical friend representing the Scottish Government: *"the work already done [establishment of the Responsible Business Forum] demonstrates that*

*what we lack is the structure or systems which allow companies and communities to navigate freely into that [aligning and connecting business and societal goals to create joint value]".* The critical friend added that *"a single system"* would be *"hugely challenging to achieve …. But if that can be fostered, emerging from this then this would be enormously valuable to all participants".*

The word 'space' emerged in this study in relation to bringing together sectors and people based on shared aspirations and values. Burns (2007), citing Shaw (2002), discusses the notion of *'open space'* as the development of large events and conferences that bring the *"whole system"* into the room. One of the limitations of this approach is the one-off nature of events (such as the World Café Initiative, see Carson, 2011) which generates a strong temporary sense of community and of small groups which tend to be functionally bounded (Shaw, 2002). Our interpretation of an *'open space'* is more fluid, relational and based on reciprocity in the relationships to be formed, and borrowing ideas from the notion of the 'common good', a dialogical space where business and third sector aspirations and values can be shared.

The politics of the 'common good' has seen a new light in recent times, resisting the dominance of the market and state, by emphasising the value of relationship building, leadership development, and actions on matters of common, public concern (Rowlands, 2013). Alinsky is seen as the founding father of community organising and the *'Alinsky model'* is held to have influenced the Obama Presidency and Hilary Clinton's views on the role of government in tackling poverty (e.g. Slevin, 2007), and in the UK the 'Big Society' agenda (e.g. Bunyan, 2014). Alinsky (1971); Glasman, (2010), and more recently DeFilippis, Fisher, and Shragge (2010), have argued for the "hollowing out" of a "thick" civil space between the individual and the market, the individual and the state (which resonates with the views illustrated in the rich pictures of the deep-rooted notion of *"them and us").* While the focus in this SSM study was to help VAF define its problem more clearly, and thus construct practical solutions, the development of these solutions was seen to have its locus in the idea of a shared dialogical space between the market, state and third sector. Bunyan (2014) calls for a re-conceptualised civil society distinct from the third sector, and recognises the capacity of the third sector to develop power and political agency to contest state and market power. This is of interest in the current study, as some participants in the rich pictures argued that there is no such thing as 'sectors', although they still recognised the 'thick' "castle walls" that divide them. These participants were more attuned to the notion of 'civil society' as a normative political concept (Bunyan, 2014): more 'open' and transparent, providing space for effective dialogue between Government, private organisations and the third sector about the common good, and recognising that 'people' and their relationships (i.e. social capital) transcend multiple boundaries as employees, electorate, service-users and citizens, etc.

With regard to the boundary and governance arrangements of an 'open space', this could be thought of in terms of an orchestra: *Who is in it? How did they make the cut when others did not? And who is conducting the orchestra?* The naming of the Responsible Business Forum was in conflict with the *'Connect model' 'T'* and *'W'*, as the intention of this 'open system' was to bring together all sectors, without one sector (business in this case) holding more influence than others. More specifically, in this first intervention, the third sector was excluded from the forum, highlighting the importance of understanding different *'Ts'* in the 'Connect model' to ensure all perspectives are considered.

Ulrich (1987) provides twelve questions that might help in this evaluation of the Responsible Business Forum intervention and refinement: covering motivation, control, expertise and legitimacy. In relation to legitimacy, some of the critical friends referred to the Responsible Business Forum steering group's need to include representations from multiple decision-makers and a requirement for widespread stakeholder participation to gain a variety of perspectives (resonating the views of Churchman, 1970; and Midgley, 2006). Midgley (1992, 2000, 2006) also adds that particular groups and issues of concern can become marginalised, and this is a particularly apt observation as the rich picture workshops stressed the need to involve concerned citizens in the decision-making process. The self-denoting boundary should be defined by shared aspirations and values between participants, and this must be continuously debated to limit the marginalisation of sectors, diversity within sectors and communities themselves. It is suggested that the work on 'systemic intervention' (from Midgley, 2000, and others), which focuses on dealing with marginalisation, combined with the findings in this paper, may provide future avenues for COR research and application.

### 5.2. Co-creation of business-community value

The output presented in the *'T'* in the *'Connect'* CATWOE concerns the allocation of resources to build joint business and community value creation. This was rigorously debated within VAF and with critical friends (see 4.8.1), particularly in relation to Porter and Kramer's (2011) use of the word 'shared' in their concept of 'shared value'. The discussions echoed the shortcomings contested by Crane, Palazzo, Spence, and Matten (2014): that 'shared value' ignores the tensions inherent in responsible business activity; it is naïve about business compliance; and it is based on a shallow conception of the corporation's role in society. In addition to this, the word 'shared' was seen to be misleading. More specifically, Porter and Kramer (2011) offer a 'business-centric perspective' on creating value, determined by a 'business case' that focuses on demonstrating a 'need' can be met, 'profit' made and scope for 'scale'.

The authors sought a term that distinguished what we were doing from Porter and Kramer's 'shared value' concept with its neoliberal emphasis and use of business language, that did not hold up well to scrutiny from third sector organisations and other fund managers. 'Co-creation' is a term that puts the community and citizens at the centre of creating value, and it avoids the language of a *"them and us"* mind-set (reinforced in the Porter case for *"letting business solve societal problems").* The term 'co-creation,' described by Prahalad and Ramaswamy (2004) in relation to a company and customer, allows the customer to co-construct the service experience to suit their context, and this reflects the language and emphasis placed during the rich picture workshops. 'Co-creation' has been used to lead public sector innovation (see Bason, 2010), there has been discussion of the "co-production" of public services (see Osborne & Strokosch, 2013), and also "co-production" in relation to the third sector (See Brandsen & Pestoff, 2006).

We use the term 'co-creation' to encompass both the process of *design* and *production.* Firstly, in our interpretation, the 'customer' is the community (or communities) and citizens themselves, involved in 'what' resources can hold utility when released into communities (e.g., redundant equipment or under-utilised assets). This echoes the work of Lusch and Vargo (2014) on service-dominant logic, noting that the *'customer is always the co-creator of value'.* Here we wish to capture value for both business and communities (represented by third sector organisations): concerned citizens themselves should be involved in defining the challenges and in coming up with ideas for business to play a role in addressing them and seeing how such action can bring about business benefits (limiting the "square holes" for "circle problems" description described in Section 4.6.1). In terms of *'production',* an asset-based approach recognises that human (people skills and time), physical (assets) and social capital (formed of inter-related

relationships that transcend different sectors and localities) already exists and can be utilised to deliver a purposeful activity (e.g. a skilled volunteering programme).

### 5.3. Role of a conduit to unlock and prepare a 'shared space'

We now turn to the environment in which the co-creation of business-community value can take place, and we call this a *'shared space'*. This emerged as a result of considerable time spent debating VAF's *'W'* within the team and with critical friends. We focused on understanding the recurring word *'conduit'* and lessons learnt from the rich picture workshops in cycle two. In these rich picture workshops, it was expressed that there was a lack of shared understanding, competing values and priorities, and often stereotyping hindering relationships between and within sectors and in different localities. The Oxford English Dictionary (2016) defines a 'conduit' as an *"organisation that acts as a channel for the transmission of something"*. This 'something' would be the transmission of resources from business into communities, and laying the ground for a purposeful relationship is also important.

To do this the conduit will need to match businesses with third sector organisations who share similar aspirations and values, and bring into this space other relevant stakeholders who will best enable the allocation of resources from businesses into communities. In this 'shared space', businesses, the third sector, Government, and concerned citizens can enter into a dialogical process akin to the continuous negotiation of the common good (see Rowlands, 2015). This implies a self-defining boundary based on the shared aspirations and values of participants, which goes to the heart of service-dominant logic. Lusch and Vargo (2014) argue that specialised skills and knowledge are the focus of economic exchange, and they provide the fundamental foundations upon which society is built. This has considerable implications for a fund manager who is traditionally involved in producing value through 'exchange' (the allocation of resources in grant programmes determined by a donor).

Following service-dominant logic, VAF can help to make value propositions, since value can only be determined by communities (represented by third sector organisations) and participating businesses themselves. The basis for engagement is placed on identifying relevant partners and facilitating co-creation and the evaluation of intended outcomes to both parties. In this sense, VAF's *'W'* recognises that concerned citizens and communities are best placed to address the challenges they face, and VAF is well placed to understand these. VAF's offer to business must understand the benefits that can be realised by releasing resources to appropriately selected third sector organisations. This matching service is a core capability that VAF needs to develop: to build a sound basis for a relationship based on shared values and understanding, reinforcing VAF's belief that investing in social capital underpins everything that it does. In the spirit of Prahalad and Ramaswamy's (2004) description of co-creation in a community context, the conduit helps to create an experience environment in which citizens and communities, represented by third sector organisations, have an active and continuous dialogue and co-construct personalised experiences.

VAF's articulation of this idea takes place within a Scottish context, with an economy dominated by SMEs (not dissimilar to the UK as a whole). Therefore, a 'shared space' has potential to bring together coalitions of SMEs and third sector organisations (of which 83 percent of organisations are classified as SMEs[6]). Perrini (2006), in the context of CSR for SMEs (and we suggest

more widely responsible business practice), states that CSR should be based on the concept of social capital. Spence and Schmidpeter (2003) also discuss SMEs, social capital and its contribution to the common good. This presents a shift in thinking away from a more transactional relationship to a relational approach built on the principle of reciprocity, mutual understanding and constant negotiation to design and produce value for both businesses and communities. Further work is required to understand a set of *'organising principles for unlocking and preparing a shared space'*.

Concerned citizens were represented in the model after much debate about where they should be placed. The participants said that concerned citizens should sit both within and outside of the boundary, and recognised that the model depicts a human activity system where individuals may play multiple roles and transcend a multitude of sectors. Firstly, concerned citizens may self-organise around a particular challenge, even in a given locality and exert influence over the system. In this context, concerned citizens should define the overall 'effectiveness' of the *'Connect model'* in terms of monitoring the whole system to ensure resources are allocated to address the challenges that communities face (addressing the *"square holes"* for *"circle problems"* concern). Secondly, the model places significance on facilitating a good match between business(es) and third sector organisation(s) to unlock a 'shared space' (activity 4, in Fig. 3). In this 'shared space', concerned citizens and the third sector organisations that represent them are seen as beneficiaries of the outcome, and as such are central to the co-creation experience (activity 5, in Fig. 3).

## 6. Conclusion and implications for further work

This paper has presented the *'Connect model'* and its five sub-systems (detailed in Section 5) to help a Scottish fund manager (VAF) to understand how to unlock and release more resources into communities from the for-profit sector. Our study addressed a perceived lack of alignment between responsible business practices with the real/emerging challenges of communities in Scotland. The value of using SSM to address this problem area was to incorporate a wide range of perspectives from different stakeholders (i.e., private sector; third sector; and the Scottish Government). This helped to form *relationships* and, through better understanding of the nature and dynamics of responsible business practice, develop new *products* and *processes* that can help for-profit businesses and communities to build joint value. This contribution is located in the context of helping a fund manager to support the better allocation of resources to local communities and provide evaluation services. This is first called by Midgley and Ochoa-Arias' (1999; 2004) to help local government bodies and is further supported by Boyd et al. (2007) in the context of the evaluation of community health services.

The for-profit sector has a role to play in generating solutions to address these challenges, and we recognise that they hold the majority of resources (i.e. people, assets and money). However, not one organisation or sector has 'ownership' of the 'whole system' to address the challenges faced in Scotland. Cross-sectoral approaches, which put communities and citizens (represented in part by third sector organisations) at the heart of initiatives, are required.

Three concepts emerged from the SSM study that were incorporated into a refined *'Connect model'* and an early intervention that brought about the Responsible Business Forum. These were how a *conduit*, such as a fund manager, can bring about a *'shared space'*, constituted of relevant stakeholders who share similar aspirations and values (a self-defining boundary). This is supported within an environment where relationships are forged between and within sectors (investing in social capital), in *'open spaces'* where values

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[6] The current EU definition of an SME is a firm that has a head count of less than 250 and either a turnover of less than €50million or a balance sheet total of less than €43million. http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en. (Accessed: 04/10/17)

are contested and the views of marginalised stakeholders and issues are included.

This research has demonstrated that the language of SSM (particularly the CATWOE elements) was not always useful when considering the views of marginalised stakeholders and issues. For instance, the people and communities themselves are not *'victims'* (although we recognise that this language comes from Midgley & Reynolds, 2004b, and not Checkland & Scholes, 1990). They need to be part of the *'ownership'* of the solution, thereby recognising the assets and relationships that already exist. Therefore, *'open systems'* provide the governance mechanism to draw the boundary, and to understand shared values and stakeholders' issues. VAF is a *'conduit'* that brings together relevant stakeholders, not necessarily to allocate resources, but to co-create solutions and evaluate benefits to those who participate in a *'shared space'*.

This study is limited in scope by not including a business perspective on the problem situation, which might have further refined VAF's approach. Phase 2 of the study will seek to understand the problem situation from the perspective of for-profit businesses, so purposeful comparisons can be made. This will enable VAF to better articulate its offer within the concept of 'shared space' and to develop routes to market with for-profit entities in an ever-changing landscape of responsible business in practice. Further work should also involve: 1) understanding a set of organising principles to unlock and facilitate co-creation in a 'shared space'; 2) a process that a conduit can follow to set the boundary to include/exclude relevant stakeholders & issues based on matching shared values; and 3) the role of Government to cultivate responsible business practice by supporting investment in social capital, participating as one partner in 'open spaces', and incentivising conduits who bring together relevant stakeholders (including people and communities, represented by third sector organisations) to create joint value.

## Acknowledgements

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